

Town of Manila
Financial Statements
Year ending June 30, 2005

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Financial Section

Independent Auditors' Report

Town of Manila
Manila, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town of Manila as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Manila's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town of Manila as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006 on our consideration of the Town of Manila's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, see pages 5-9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Aycock, Miles & Associates

January 6, 2006

Management's Discussion and Analysis

As management of the Town of Manila (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2005.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$8,033,526 - \$3,521,399 = \$4,512,127$. Of this amount, $\$87,772$ is unrestricted and available to meet the Town's ongoing obligations.
- The Town had $\$3,214,707$ in long-term obligations at the closest year-end, an increase of $\$1,377,888$. The increase was a result of revenue bonds to finance a culinary water and sewer line extension.
- Fixed assets net of accumulated depreciation increased $\$1,486,587$ largely due to a water system addition.
- The Town received $\$1,201,409$ in grants to aid in the water distribution and sewer line additions.
- Net assets increased by $\$1,043,576$ from the prior year.
- The Town's total assets of $\$8,033,526$ were 3% cash and receivables.
- Current liabilities exceed current assets at closest year-end: $\$306,693 - \$234,001 = \$72,692$.
- All liabilities exceed current assets at closest year-end: $\$3,521,399 - \$234,001 = \$3,287,398$.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the Town is general administration, a senior center, roads, and fire department. The Town's business-type activities include water, sewer, and garbage (landfill) funds.

Government-wide financial statements can be found later in this report, see the Table of Contents for page numbers.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. The Town considers both governmental funds to be major funds.

The Town adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Proprietary funds—Of the two type of proprietary funds, enterprise and internal service funds, the Town maintains three individual enterprise funds: water, sewer, and garbage (landfill) funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the governmental fund balance sheet and the proprietary fund statement of revenues, expenditures, and changes in net assets for these three proprietary funds. The Town considers all three of these proprietary funds to be major funds.

The proprietary fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report please see the Table of Contents for page numbers.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$4,512,127 at the close of the most recent fiscal year.

The largest portion of the Town's net assets was capital assets. Unrestricted net assets accounted for 2% of the Town's total net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets (funds restricted for roads and debt reserves, etc.) comprised 30%. Capital assets comprised 68% of total net assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

	Governmental Activities		Business-type Activities	
Net Assets	2005	2004	2005	2004
Current and other assets	\$ 165,071	\$ 175,955	\$ 1,448,394	\$ 248,829
Net capital assets	<u>292,241</u>	<u>293,581</u>	<u>6,127,820</u>	<u>4,639,890</u>
Total assets	457,312	469,536	7,576,214	4,888,719
Long-term liabilities	-	-	3,214,707	(1,836,819)
Other liabilities	<u>43,347</u>	<u>(30,394)</u>	<u>260,345</u>	<u>(21,737)</u>
Total liabilities	43,347	(30,394)	3,475,052	(1,858,556)
Net assets:				
Capital assets, net of related debt	292,241	293,581	2,778,955	2,803,071
Restricted	14,405	31,784	1,338,754	145,856
Unrestricted	<u>104,319</u>	<u>113,777</u>	<u>(16,547)</u>	<u>81,236</u>
Total net assets	<u>\$ 410,965</u>	<u>\$ 439,142</u>	<u>\$ 4,101,162</u>	<u>\$ 3,030,163</u>

Capital projects are, for the most part, fully funded by grants and loans, town participation, and property tax revenues which exceed remaining operating and administration expenses.

Government activities— Key elements of the governmental activities and business-type activities are as follows.

	Governmental Activities		Business-type Activities	
Change in Net Assets	2005	2004	2005	2004
Program revenues:				
Charges for services	\$ 15,766	\$ 8,936	\$ 292,086	\$ 309,662
Operating grants	45,189	70,044	-	-
Capital grants	-	-	1,201,409	286,116
General revenues:				
Property taxes	32,484	27,926	-	-
Sales tax	39,360	34,277	-	-
Other Taxes	2,414	7,675	-	-
Miscellaneous revenues	1,861	8,314	-	-
Earnings on investments	<u>1,208</u>	<u>2,181</u>	<u>4,883</u>	<u>4,402</u>
Total revenues	138,282	159,353	1,498,378	600,180
Expenses:				
General government	124,489	117,442	-	-
Fire	24,562	24,599	-	-
Roads	27,808	1,486	-	-
Seniors	41,810	30,421	-	-
Buildings and public property	13,785	33,767	-	-
Water	-	-	253,173	179,010
Sewer	-	-	59,022	67,093
Garbage	-	-	48,435	64,146
Total expenses	<u>232,454</u>	<u>207,715</u>	<u>360,630</u>	<u>310,249</u>
Transfers:	<u>66,750</u>	<u>69,500</u>	<u>(66,750)</u>	<u>(69,500)</u>
Increase in net assets	<u>\$ (27,422)</u>	<u>\$ 21,138</u>	<u>\$ 1,070,998</u>	<u>\$ 220,431</u>

Operating grants will vary year to year based on project funding. Administration expenses remained relatively consistent. Public safety, roads, and culture and recreation vary from year to year depending on various projects.

Financial Analysis of the Government's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are two types of funds: governmental funds and proprietary funds.

Governmental funds—The focus of the Town's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$118,724, a decrease of \$26,084 in comparison with the prior year. This total fund balance amount is \$14,405 reserved and \$104,319 unreserved. Unreserved fund balances are available for spending at the government's discretion.

At the most recent fiscal year, the fund balance of the general fund was \$104,319, a decrease of \$26,084 and the capital project fund was \$14,405, no change from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, reserved fund balance of the general fund was \$0 and unreserved fund balance was \$104,319. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46% of total general fund expenditures.

Proprietary funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The balance of net assets of the water fund consisted of unrestricted net assets of \$13,639, restricted of \$953,309 and capital assets, net of related debt, of \$2,254,066. The balance of net assets of the sewer fund consisted of unrestricted net assets of \$(48,513), restricted of \$380,522, and capital assets, net of related debt, of \$533,181. The balance of net assets of the garbage fund consisted of unrestricted net assets of \$18,327, restricted of \$4,924, and capital assets, net of related debt, of \$(8,293). The water fund's net assets grew \$1,086,219, the sewer's net assets decreased \$24,469, and the garbage's net assets increased \$9,249. Other factors concerning the finances of these three proprietary funds have already been addressed in the discussion of the Town's business-type activities.

Fund Budgetary Highlights

Amendments may be made to the funds' original budgets to more accurately reflect the expected expenses and revenue as the year progresses. The Town decreased its budget during the most recent fiscal year by \$43,119. The Town exceeded its budget due to slightly overestimating some year-end expenses.

Capital Asset and Debt Administration

Capital assets—As of June 30, 2005, the Town's investment in capital assets for its governmental activities amounts to \$292,241 (net of accumulated depreciation) and \$6,127,820 (net of accumulated depreciation) for its proprietary activities. These capital assets are land, land improvements, buildings, transportation equipment, office equipment, and utility systems. Net capital assets of governmental activities decreased \$1,340 and proprietary activities increased \$1,487,927 because of a culinary water distribution system addition. Net capital assets increased because asset purchases were greater than the depreciation expense.

<u>Net Capital Assets</u>	<u>Governmental Activities</u>		<u>Business-type activities</u>	
	2005	2004	2005	2004
Land and land improvements	\$ 140,910	\$ 137,105	\$ 95,527	\$ 95,527
Buildings & equipment, net	<u>151,331</u>	<u>156,476</u>	<u>6,032,293</u>	<u>4,544,366</u>
Total capital assets, net	<u>\$ 292,241</u>	<u>\$ 293,581</u>	<u>\$ 6,127,820</u>	<u>\$ 4,639,893</u>

Long-term debt—The Town had long-term debt activity for 11 notes payable during the year. These notes are summarized below. For more detail, see page 28 in the notes.

<u>Enterprise Funds:</u>	<u>2005</u>	<u>2004</u>
Water Utility Revenue Bonds	\$ 2,872,405	\$ 1,662,799
Sewer Utility Revenue Bonds	<u>459,000</u>	<u>159,000</u>
Totals	<u>\$ 3,331,405</u>	<u>\$ 1,821,799</u>

Economic Factors and Next Year's Budgets and Rates

No significant economic changes that would affect the Town are expected next year. Budgets have been based on essentially the same factors as the current year being reported. No changes in budgeted tax revenues have been made for the next fiscal year. The tax rates are set to reach the same budgeted revenues.

Approach to Infrastructure Assets

The Town has chosen to depreciate its infrastructure which generally consists of roads. The roads are depreciated over a 25 year period.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town's clerk, Judy Archibald at (435) 784-3143 or by mail, P.O. Box 189, Manila, Utah 84046.

Town of Manila
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 122,951	\$ 19,167	\$ 142,118
Accounts receivable--property taxes	28,390	-	28,390
Accounts receivable--other	218	41,320	41,538
Inventory		8,443	8,443
Intergovernmental receivable	13,512	-	13,512
Total Current Assets	165,071	68,930	234,001
Other Assets:			
Cash restricted, sinking funds	-	102,334	102,334
Cash restricted, escrow for construction	-	1,236,420	1,236,420
Total Other Assets	-	1,338,754	1,338,754
Non Current Assets:			
Receivables due after one year	-	40,710	40,710
Infrastructure & land	140,910	95,527	236,437
Buildings & equipment, net of accum. depreciation	151,331	6,032,293	6,183,624
Total Non Current Assets	292,241	6,168,530	6,460,771
Total Assets	\$ 457,312	\$ 7,576,214	\$ 8,033,526
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 4,724	\$ 121,230	\$ 125,954
Accrued payroll and payroll taxes	15,423	-	15,423
Deferred revenue & customer deposits	26,200	375	26,575
Accrued interest	-	4,584	4,584
Current portion note payable (due within one year)	-	134,157	134,157
Total Current Liabilities	46,347	260,345	306,693
Non Current Liabilities:			
Revenue bonds and landfill closure accrual	-	3,214,707	3,214,707
Total Non Current Liabilities	-	3,214,707	3,214,707
Total Liabilities	46,347	3,475,052	3,521,399
NET ASSETS			
Invested in capital assets, net of related debt	292,241	2,778,955	3,071,196
Restricted (i.e. C roads, Capital Projects)	14,405	1,338,754	1,353,159
Unrestricted	104,319	(16,547)	87,772
Total Net Assets	410,965	4,101,162	4,512,127
Total Liabilities & Net Asset Balances	\$ 457,312	\$ 7,576,214	\$ 8,033,526

Town of Manila
STATEMENT OF ACTIVITIES
For the year ending June 30, 2005

Functions	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	
				Governmental Activities	Business-type Activities
Governmental Activities:					
General government	\$ 124,489	\$ -	\$ -	\$ (116,347)	\$ (116,347)
Fire, public safety	24,562	11,320	-	(13,242)	(13,242)
Roads	27,808	15,704	-	(12,104)	(12,104)
Seniors	41,810	18,165	-	(16,021)	(16,021)
Buildings and public property	13,786	-	-	(13,786)	(13,786)
Total Governmental Activities	232,454	45,189	-	(171,499)	(171,499)
Business-type Activities:					
Water	253,173	-	1,201,409	-	1,116,789
Sewer	59,022	-	-	-	6,946
Garbage	48,435	-	-	-	9,130
Total Business-type Activities	360,629	-	1,201,409	-	1,132,865
Total Primary Government	\$ 593,084	\$ 45,189	\$ 1,201,409	(171,499)	961,366
General Revenues:					
Property taxes	32,484	-	-	-	32,484
Sales tax	39,360	-	-	-	39,360
Other Taxes	2,414	-	-	-	2,414
Miscellaneous revenues	1,861	-	-	-	1,861
Earnings on investments	1,208	-	-	4,883	6,091
Operating Transfers	66,750	-	-	(66,750)	-
Total General Revenues and Transfers	144,077	-	-	(61,867)	82,210
Change in Net Assets	(27,422)	1,070,998	-	-	1,043,576
Beginning Net Assets	438,387	3,030,164	-	-	3,468,551
Ending Net Assets	\$ 410,965	\$ 4,101,162	\$ -	\$ -	\$ 4,512,127

See accompanying notes. Page 11

Town of Manila
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total Fund Balances for Governmental Funds **\$ 118,724**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land and infrastructure	156,735	
Buildings and equipment	414,331	
Accumulated depreciation	<u>(278,825)</u>	
		292,241

Long-term debt, for funds other than enterprise funds, are recorded in the government-wide financial statements but not in the fund statements. -

Deferred property tax revenue includes delinquent property taxes in the fund statements but not in the government-wide statements. -

Total Net Assets of Governmental Activities **\$ 410,965**

Town of Manila
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2005

Net Change in Fund Balances--Total Governmental Funds **\$ (26,084)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	19,630	
Depreciation	<u>(20,968)</u>	
Net		(1,338)

Government funds do not report delinquent taxes as revenue because these revenues are not available for current period expenses.

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Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

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Change in Net Assets of Governmental Activities **\$ (27,422)**

Town of Manila
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2005

	Governmental Funds		
	General Fund	Capital Projects Fund	Total
Assets			
Cash	\$ 108,546	\$ -	\$ 108,546
Accounts receivable--property taxes	28,390	-	28,390
Allowances for doubtful accounts	-	-	-
Accounts receivable--other	218	-	218
Due from other governments	13,512	-	13,512
Inventories	-	-	-
Restricted cash	-	14,405	14,405
Total Assets	\$ 150,666	\$ 14,405	\$ 165,071
Liabilities			
Accounts payable	\$ 4,724	\$ -	\$ 4,724
Accrued payroll liabilities	15,423	-	15,423
Deferred property tax revenue	26,200	-	26,200
Total Liabilities	46,347	-	46,347
Fund Balances			
Fund Balances:			
Reserved for capital projects	-	14,405	14,405
Reserved for roads	-	-	-
Unreserved	104,319	-	104,319
Total Fund Balances	104,319	14,405	118,724
Total Liabilities & Fund Balances	\$ 150,666	\$ 14,405	\$ 165,071

Town of Manila
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS**
 Years Ending June 30, 2005

	General Fund	Capital Projects Fund	Total
Revenues			
Taxes	\$ 74,258	\$ -	\$ 74,258
Licenses and permits	7,412	-	7,412
Charges for services	8,354	-	8,354
Intergovernmental	45,189	-	45,189
Royalties and interest	1,208	-	1,208
Miscellaneous revenues	1,861	-	1,861
Total Operating Revenue	138,282	-	138,282
Expenditures			
General government	124,489	-	124,489
Fire	21,410	-	21,410
Roads	21,979	-	21,979
Seniors	35,667	-	35,667
Buildings and public property	7,941	-	7,941
Capital outlay	19,630	-	19,630
Total Operating Expenditures	231,115	-	231,115
Excess (Deficiency) of Revenues Over (Under) Expenditures	(92,834)	-	(92,834)
Other Financing Sources and (Uses)			
Operating transfers in (out)	66,750	-	66,750
Net Change in Fund Balances	(26,084)	-	(26,084)
Fund Balances--Beginning of Year	130,403	14,405	144,808
Fund Balances--End of Year	<u>\$ 104,319</u>	<u>\$ 14,405</u>	<u>\$ 118,724</u>

Town of Manila
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL--GENERAL FUND
Year Ending June 30, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 82,300	\$ 79,800	\$ 74,258	\$ (5,542)
Licenses and permits	9,900	10,150	7,412	(2,738)
Charges for services	7,600	9,300	8,354	(946)
Intergovernmental	46,620	51,224	45,189	(6,035)
Royalties and interest	4,000	1,500	1,208	(292)
Miscellaneous revenues	500	3,000	1,861	(1,139)
Total Operating Revenue	150,920	154,974	138,282	(16,692)
Expenditures				
General government	152,155	129,936	124,489	5,447
Fire	31,600	24,775	21,410	3,365
Roads	58,793	25,125	21,979	3,146
Seniors	36,920	36,757	35,667	1,090
Buildings and public property	9,375	9,131	7,941	1,190
Capital outlay	-	20,000	19,630	370
Total Operating Expenditures	288,843	245,724	231,115	14,609
Excess of Revenues Over (Under)				
Operating Expenditures	(137,923)	(90,750)	(92,834)	(2,084)
Other Financing Sources and (Uses)				
Operating transfers in (out)	65,500	66,750	66,750	-
Excess of Revenues and Other				
Financing Sources Over (Under)				
Expenditures & Other Financing	(72,423)	(24,000)	(26,084)	(2,084)
Fund Balances--Beginning of Year	130,403	130,403	130,403	-
Fund Balances--End of Year	\$ 57,980	\$ 106,403	\$ 104,319	\$ (2,084)

Town of Manila
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
June 30, 2005

	Business-type Activities--Enterprise Funds			
	Water Operations	Sewer Operations	Garbage Operations	Total
ASSETS				
Current Assets:				
Cash	\$ -	\$ 5,427	\$ 13,740	\$ 19,167
Inventory	6,322	2,121	-	8,443
Intergovernmental receivable	-	-	-	-
Accounts receivable--customers, net	27,213	8,728	5,379	41,320
Total Current Assets	33,535	16,276	19,119	68,930
Other Assets:				
Cash restricted, sinking funds	42,147	55,263	4,924	102,334
Cash restricted, escrow for construction	911,162	325,259	-	1,236,420
Total Other Assets	953,309	380,522	4,924	1,338,754
Non Current Assets:				
Receivables due after one year	40,710	-	-	40,710
Capital assets:				
Land	6,000	89,527	-	95,527
Buildings & equipment	6,032,310	1,313,223	20,851	7,366,384
Accumulated depreciation	(911,839)	(410,569)	(11,683)	(1,334,091)
Total Non Current Assets	5,167,181	992,181	9,167	6,168,529
Total Assets	\$ 6,154,025	\$ 1,388,979	\$ 33,211	\$ 7,576,214
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 55,649	\$ 64,789	\$ 792	\$ 121,230
Deferred revenue & customer deposits	375	-	-	375
Accrued payroll expenses	-	-	-	-
Accrued interest expense	4,584	-	-	4,584
Current portion note payable	109,158	25,000	-	134,158
Total Current Liabilities	169,765	89,789	792	260,345
Non Current Liabilities:				
Revenue bonds or landfill closure accrual	2,763,247	434,000	17,460	3,214,707
Total Non Current Liabilities	2,763,247	434,000	17,460	3,214,707
Total Liabilities	2,933,012	523,789	18,252	3,475,052
NET ASSETS				
Invested in capital assets, net of related debt	2,254,066	533,181	(8,293)	2,778,955
Restricted	953,309	380,522	4,924	1,338,754
Unrestricted	13,639	(48,513)	18,327	(16,547)
Total Net Assets	3,221,014	865,190	14,959	4,101,162
Total Liabilities & Net Asset Balances	\$ 6,154,025	\$ 1,388,979	\$ 33,211	\$ 7,576,214

Town of Manila
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ending June 30, 2005

	Proprietary Funds			Totals
	Water	Sewer	Garbage	
Operating Revenues				
Charges for services	168,239	65,844	57,565	291,649
Miscellaneous	314	123	-	437
Total operating revenues	168,553	65,968	57,565	292,086
Operating Expenses				
Wages and benefits	49,836	24,407	35,731	109,974
Office expenses	2,603	1,511	191	4,305
Repairs, maintenance, & supplies	22,197	3,564	6,508	32,269
Utilities	14,759	143	-	14,902
Depreciation	111,061	26,708	1,458	139,227
Travel	4,506	654	-	5,160
Education & training	1,548	275	-	1,823
Landfill closure	-	-	2,440	2,440
Telephone	4,454	276	644	5,373
Other	1,977	1,483	1,463	4,924
Total operating expenses	212,940	59,022	48,435	320,396
Operating income (loss)	(44,387)	6,946	9,130	(28,311)
Non-Operating Revenue (Expenses)				
Interest expense	(40,233)	-	-	(40,233)
Interest and royalties revenue	3,180	1,585	118	4,883
Total non-operating revenue (expense)	(37,053)	1,585	118	(35,350)
Income (loss) before other items	(81,440)	8,531	9,249	(63,660)
Other Revenues (Expenses)				
Grants	1,187,329	-	-	1,187,329
Impact fees	14,080	-	-	14,080
Operating transfers in or out	(33,750)	(33,000)	-	(66,750)
Change in net assets	1,086,219	(24,469)	9,249	1,070,998
Retained earnings-beginning	2,134,795	889,659	5,710	3,030,164
Retained earnings-ending	\$ 3,221,014	\$ 865,190	\$ 14,959	\$ 4,101,162

Town of Manila
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ending June 30, 2005

	Proprietary Funds			
	Water	Sewer	Garbage	Total
Cash Flows from Operations				
Receipts from services	\$ 158,950	\$ 62,771	\$ 58,131	\$ 279,852
Receipts from miscellaneous sources	314	124	-	
Paid for labor and wages	(49,836)	(24,407)	(35,731)	(109,974)
Paid for supplies and services	(45,529)	(6,182)	(8,724)	(60,435)
Net Cash Flows	63,899	32,306	13,676	109,881
Cash Flows from Non-Capital Financing				
Transfers	(33,750)	(33,000)	-	(66,750)
Donations	-	-	-	-
Net Cash Flows	(33,750)	(33,000)	-	(66,750)
Cash Flows from Capital Financing				
Principal payments--revenue bonds	(70,394)	(25,000)	-	(95,394)
Bond interest payments	(35,649)	-	-	(35,649)
Acquisition of assets	(1,523,348)	(2,712)	-	(1,526,060)
Loan proceeds	1,275,000	325,000	-	1,600,000
Impact fees	14,080	-	-	14,080
Capital grants received	1,187,329	-	-	1,187,329
Net Cash Flows	847,018	297,288	-	1,144,306
Cash Flows from Investing Activities				
Received from interest and royalties	3,180	1,584	118	4,882
Net Cash Flows	3,180	1,584	118	4,882
Net Increase (Decrease) in Cash	880,347	298,178	13,794	1,192,319
Cash & Restricted Cash Balances -- Beg of Year	72,962	87,770	4,871	165,603
Cash & Restricted Cash Balances -- End of Year	<u>\$ 953,309</u>	<u>\$ 385,948</u>	<u>\$ 18,665</u>	<u>\$ 1,357,922</u>
Reconciliation of Operating Income to Net Cash Provided from Operating Activity				
Operating income (loss)	\$ (44,387)	\$ 6,946	\$ 9,130	\$ (28,311)
Operating items not involving cash:				
Depreciation	111,061	26,708	1,458	139,227
(Increase) decrease in accounts receivable	(9,297)	(3,073)	566	(11,804)
(Increase) decrease in inventory	-	-	-	-
Increase (decrease) in payables, etc.	6,514	1,725	2,522	
Increase (decrease) in deferred revenues	8	-	-	8
Net Cash Flow	<u>\$ 63,899</u>	<u>\$ 32,306</u>	<u>\$ 13,676</u>	<u>\$ 109,881</u>

Town of Manila
Notes to the Financial Statements
June 30, 2005

Note 1 Summary of Significant Accounting Policies

Reporting Entity—The accounting policies of the Town of Manila conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the Town has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as

Town of Manila
Notes to the Financial Statements
June 30, 2005

revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is the government's fund to account for capital projects and overhead that can be submitted to grantors for reimbursement.

The Town reports the following major proprietary funds:

The *water fund* is used to account for the activities regarding culinary water distribution.

The *sewer fund* is used to account for the operations of the sewer system.

The *landfill fund* is used to account for the operations of solid waste disposal.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Indirect charges are not allocated to their various functions because the Town maintains a general administration function to capture indirect costs.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's three proprietary funds are service charges for the use of the applicable utility system.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for

Town of Manila
Notes to the Financial Statements
June 30, 2005

uncollectible amounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes—The property tax revenue of the Town is collected and distributed by Daggett County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The Town recognizes motor vehicle fees as property tax revenue when collected by the County.

As of June 30, 2005, property taxes receivable by the Town includes uncollected taxes assessed as of the January 1, 2005 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the Town may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is not depreciated. A modified approach will be used to disclose infrastructure activity.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Equipment	8
Vehicles	5
Office equipment	5
Computer equipment	3

Compensated Absences—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the Town. The following procedures are used in establishing the budgetary data:

- Towards the end of each fiscal year, the council prepares the budget for all applicable funds.
- Copies of the budget are made available for public inspection for seven days prior to adoption.
- The Board holds a public hearing on or before June 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- By June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted by June 22. A copy of the budget is certified by the budget officer and filed with County Auditor within thirty days of adoption.
- The proposed or final tax rate must also be submitted to the County Auditor by June 22. If the Town sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing has been held. Until the hearing is held and a final budget and tax rate are adopted, the Town may expend monies based on, 1) its tentative budget after adoption, or 2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to the County Auditor within thirty days of adoption). Budgeted property taxes are the basis for determining the property tax levy.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 Capital Assets

A summary of capital asset activity is listed below. These figures include the proprietary funds.

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Proprietary Funds:				
Water:				
Land & water rights	\$ 6,000	\$ -	\$ -	\$ 6,000
System	4,469,866	1,562,444		6,032,310
Sewer:				
Land	89,527	-		89,527
System	1,248,513	64,710		1,313,223
Landfill	20,851	-	-	20,851
Sub-total	5,834,757	1,627,154	-	7,461,911
Governmental Funds:				
General	363,453	-	-	363,453
Roads	135,100	19,630	-	154,730
Fire	23,880	-	-	23,880
Seniors	29,003	-	-	29,003
Sub-total	551,436	19,630	-	571,066
Accumulated Depreciation:				
Proprietary funds	(1,194,864)	(139,227)	-	(1,334,091)
Governmental funds	(257,855)	(20,970)	-	(278,825)
Sub-total	(1,452,719)	(160,197)	-	(1,612,916)
Net Totals	<u>\$ 4,933,474</u>	<u>\$ 1,486,587</u>	<u>\$ -</u>	<u>\$ 6,420,061</u>

Depreciation expense for the year ended June 30, 2005 was allocated to functions of the Town's governmental activities and business-type activities as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General	\$ -	Water	\$ 111,061
Roads	5,829	Sewer	26,708
Fire	3,152	Landfill	1,458
Seniors	6,143	Total	<u>\$ 139,227</u>
Buildings and public property	5,845		
Total	<u>\$ 20,969</u>		

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 142,118	Checking	\$ 60,275
Cash restricted, sinking funds	102,334	Utah Public Treasurer Pool	1,420,457
Cash restricted, escrow	1,236,420	Cash	140
Totals	<u>\$ 1,480,872</u>		<u>\$ 1,480,872</u>

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$0 of the Town's bank balances of \$57,268 (carrying balance of \$60,275) was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	1,420,457	1,420,457	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	1,420,457	-	-	-	1,420,457

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 4 Long-term Obligations

Loan Descriptions

Water Utility

- A \$135,000 1970 Sewer and Water Revenue Bond due in annual installments of \$2,000 to \$6,000 through fiscal year 2010; interest at 5%
- B \$25,000 1970 Water Revenue Bonds due in annual installments of \$500 to \$800 through fiscal year 2007; interest at 5%
- C \$915,000 1991 Water Revenue Bonds due in annual installments of \$36,000 to \$37,000 through fiscal year 2017; interest at 0%
- D \$300,000 2002 USDA Water Revenue Bonds due in monthly installments of \$1,350 through fiscal year 2041; interest at 4.5%
- E \$225,000 2003 USDA Water Revenue Bonds due in monthly installments of \$1,013 through fiscal year 2042; interest at 4.5%
- F \$240,000 2004 Water Revenue Bonds due in annual installments of \$7,000 to \$13,000 through fiscal year 2028; interest at 2.5%
- G \$240,000 2004 Water Revenue Bonds due in annual installments of \$9,000 to \$10,000 through fiscal year 2028; interest at 0%
- H \$160,000 2004 USDA Water Revenue Bonds due in monthly installments of \$694 through fiscal year 2028; interest at 4.25%
- I \$1,275,000 2005 Water Revenue Bonds due in annual installments of \$42,000 to \$43,000 through fiscal year 2035; interest at 0.00%

Sewer Utility

- J \$484,000 1989 Sewer Revenue Bonds due in annual installments of \$24,000 to \$25,000 through fiscal year 2010; interest at 0%
- K \$325,000 2005 Sewer Revenue Bonds due in annual installments of \$11,000 to \$10,000 through fiscal year 2036; interest at 0.00%

Long-term Obligation	June 30, 2004	Additions	Deletions	June 30, 2005	Current Portion
A	\$ 36,000	\$ -	\$ (6,000)	\$ 30,000	\$ 6,000
B	2,344	-	(800)	1,544	800
C	474,000	-	(36,000)	438,000	37,000
D	290,281	-	(2,930)	287,351	3,338
E	220,947	-	(2,067)	218,880	2,355
F	240,000	-	(7,000)	233,000	7,000
G	240,000	-	(9,000)	231,000	9,000
H	159,227	-	(1,597)	157,630	1,666
I	-	1,275,000	-	1,275,000	42,000
Water Utility Bonds	<u>1,662,799</u>	<u>1,275,000</u>	<u>(65,394)</u>	<u>2,872,405</u>	<u>109,159</u>
J	159,000	-	(25,000)	134,000	25,000
K	-	325,000	-	325,000	-
Sewer Utility Bonds	<u>159,000</u>	<u>325,000</u>	<u>(25,000)</u>	<u>459,000</u>	<u>25,000</u>
Total All Bonds	<u>\$ 1,821,799</u>	<u>\$ 1,600,000</u>	<u>\$ (90,394)</u>	<u>\$ 3,331,405</u>	<u>\$ 134,159</u>

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The revenue bonds listed above are secured by the water & sewer distributions that the bonds finance. Interest expenses have been included as direct operating expenses on the government-wide statement of activities. The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

Year	Principal	Interest	Total
2006	\$ 134,159	\$ 36,733	\$ 170,892
2007	145,435	35,885	181,320
2008	146,040	34,999	181,039
2009	145,405	34,134	179,539
2010	155,786	33,253	189,039
2011-15	586,282	155,337	741,619
2016-20	498,769	137,225	635,994
2021-25	452,359	115,310	567,669
2026-30	456,824	88,720	545,544
2031-35	388,127	61,317	449,444
2036-40	162,472	30,972	193,444
2041-45	59,747	3,278	63,025
Totals	<u>\$ 3,331,405</u>	<u>\$ 767,163</u>	<u>\$ 4,098,568</u>

Note 5 Pension Plan

Plan Description. The Town of Manila contributes to the Local Governmental Contributory Retirement System. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the Town of Manila is required to contribute 7.08% of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Town of Manila's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$15,474, \$13,373, and \$9,966, respectively. Contributions were equal to the required contributions for each year.

The Town and its employees also contributed to a 401(k) defined contribution plan for the years ending June 30, 2005, 2004 and 2003. The Town contributed \$3,005, \$2,926 and \$2,370, respectively. The Town's employees contributed \$1,550, \$1,960 and \$2,160.

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 6 Bond Requirements

Additional special disclosures required by Department of Water Resources Bonding Resolution are as follows:

1. Manila Town has generally carried out the requirements of the bonding resolution satisfactorily.
2. A general liability policy in the amount of \$1,000,000 will be continuous until canceled. Workman's Compensation coverage is provided through the Utah Local Government's Trust.
3. At June 30, 2005 and 2004, water connections were as follows:

	<u>2005</u>	<u>2004</u>
Residence (active connections)	403	404
Commercial connections within town	<u>42</u>	<u>43</u>
Total Connections	445	447

4. Fiscal year end 2005 water service charges totaled \$168,239 and connection/impact fees totaled \$14,080.
5. Rates charged during the fiscal year 2005 for water service are as follows:

Residence:

A minimum monthly rate of \$24.00 for residents within the town and \$34.00 for residents outside the town is charged for the first 12,000 gallons. Usage in excess of the 12,000 gallons is charged at \$1.75 per 1,000 gallons for residents of the Town of Manila and \$2.13 per 1,000 gallons for non-residents.

Commercial:

A minimum monthly rate of \$44.00 is charged for the first 24,000 gallons. Usage in excess of 24,000 gallons is charged at the same rate as residences over 12,000 gallons.

Note 7 Revenue Bond Sinking and Reserve Funds

The bond ordinances for the various revenue bonds provide for the accumulation of funds to pay bond principal and interest when due and to provide for emergency repair and replacement of the utility systems. The requested amounts are reserved as cash is available. The Town has determined to setup a sinking fund, a reserve fund, and an emergency repair fund in the following manner:

Bond Issues	Sinking Fund	Reserve Fund	Repair Fund	Totals Required	June 30, 2005 Cash Reserved
Water Loans:					
A & B	9,737	9,737	9,000	28,474	
C	37,000	37,000	-	74,000	
D	8,100	8,100	-	16,200	
E	6,078	6,078	-	12,156	
H	8,333	-	-	8,333	
	<u>69,248</u>	<u>60,915</u>	<u>9,000</u>	<u>139,163</u>	<u>42,147</u>
Sewer Loans:					
E	25,000	25,000	12,500	62,500	
	<u>25,000</u>	<u>25,000</u>	<u>12,500</u>	<u>62,500</u>	<u>55,263</u>

Town of Manila
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 8 Commitments

In the summer of 2005, the Town began to extend its culinary water distribution system into an existing system located in Daggett County. The Town has used a mix of grants, loans, and cash reserves to finance the project. The Town estimates another \$900,000 to finish the project's distribution system in fiscal year 2006.

In the summer of 2005, the Town also began to extend its sewer system into parts of Daggett County. The Town has used a mix of grants, loans, and cash reserves to finance the project. The Town estimates another \$325,000 to finish the sewer extension in fiscal year 2006.

Note 9 Landfill Closure and Landfill Post-closure Costs

State regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure or until necessary. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$17,460 reported as landfill closure and post-closure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 71.0 percent of the estimated capacity of the landfill currently used. The Landfill will recognize the remaining estimated cost of closure and post-closure care of \$6,942 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care at year-end June 30, 2005. The Landfill expects to close the currently used landfill cell in the year 2013-15. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. This Landfill has \$4,924 restricted cash for future closure costs. The landfill has been approved by the State of Utah to operate as a class II landfill.

Note 8 Exposure to Risks of Loss

The Town is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three years.

Other Information

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Town Council
Manila, Utah

We have audited the financial statements of the Town of Manila as of and for the year ended June 30, 2005, and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. This finding is located in the following Utah State Compliance Report.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates

January 6, 2006

Utah State Compliance Report

Town Council
Town of Manila
Manila, Utah

We have audited the general purpose financial statements of the Town of Manila, Utah, for the year ended June 30, 2005, and have issued our report thereon dated January 6, 2006. Our audit included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Property Tax

Cash Management
Budgetary Compliance
Other Compliance Requirements

As part of our audit, we have audited Town's compliance with the requirements governing types of services allowed or disallowed; eligibility; matching; level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

Community Impact Board

The management of Town of Manila is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one instance of noncompliance. The Town exceeded its budgeted expenditures in three departments. In response to this finding, the Town will monitor its budget regularly and revise the budget as necessary towards the end of the fiscal year.

In our opinion, the Town of Manila, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended June 30, 2005.

Aycock, Miles & Associates

January 6, 2006